

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING
AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

Department of Mental Health, Retardation and Hospitals
The Providence Center for Counseling and Psychiatric Services
REPORT ON CONTRACT COMPLIANCE
For the Fiscal Years Ended June 30, 1999 and 1998

EXECUTIVE SUMMARY

The prior audit report for The Providence Center for Counseling and Psychiatric Services for the fiscal years ended June 30, 1997 and 1996 issued December 1, 1999 by the Bureau of Audits, had three recommendations of which one was complied with.

Based on our contract compliance engagement for the fiscal years ended June 30, 1999 and 1998 we determined the following:

1. There were unauthorized excessive budget line item variances in the Community Support and Related Services Program.
2. A deficiency was noted with the management of Representative Payee client funds for the fiscal years ended June 30, 1999 and 1998.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
TRANSMITTAL LETTER	1
SCOPE AND PURPOSE	2
BACKGROUND	3
AUDITOR'S OPINION	4
FINANCIAL INFORMATION:	
Statement of Revenues and Expenses	
Exhibit A: Fiscal Year Ended June 30, 1999	6
Exhibit B: Fiscal Year Ended June 30, 1998	7
Exhibit C: Statement of Operations -Title XIX Program	8
Exhibit D: Determination of Over (Under) Payment of State Matching Funds	9
Notes to Financial Information	10
SUPPLEMENTAL INFORMATION:	
Schedule of Matchable and Nonmatchable Revenues	11
FINDINGS AND RECOMMENDATIONS	
Status of Prior Audit Recommendations - June 30, 1997	12
Current Year Findings and Recommendations	13



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

June 15, 2001

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation, and Hospitals.
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and The Providence Center for Counseling and Psychiatric Services for the fiscal years ended June 30, 1999 and 1998.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the Director of the Department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration and the Honorable Antonio J. Pires, Chairman of the House Finance Committee and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of the Providence Center for Counseling and Psychiatric Services for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues and expenses were matchable or nonmatchable;
- total matchable revenue used as the basis for funding fiscal years 2001 and 2000;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that the Providence Center for Counseling and Psychiatric Services operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's Administrative Offices are located at 520 Hope Street, Providence, Rhode Island.

The Center is governed by a Board of Trustees who are the members of the Providence Community Mental Health Board, appointed by the City of Providence. Presently, there are twenty-two trustees of which seven members of the Board of Trustees shall constitute a quorum at all meetings of said board.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and the Providence Center for Counseling and Psychiatric Services (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health Care Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1999 and 1998, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of instances of noncompliance with the financial terms contained within the Community Support, Residential and Acute Alternatives Services contracts for the fiscal years 1999 and 1998. In addition a deficiency was noted with the management of Representative Payee client funds for the fiscal years

Ms. A. Kathryn Power, Director
Page 2

ended June 30, 1999 and 1998. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
October 25, 2000

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1999

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 892,172	291,581	-	-	1,183,753
Other State & Federal	1,871,887	2,258,740	2,018,590	-	6,149,217
Title XIX Medicaid	-	-	-	8,940,721	8,940,721
Municipalities	-	135,000	1,305,628	-	1,440,628
Fund Raising & Contributions	10,000	515	8,435	-	18,950
Client Fees & Rental Income	160,974	169,363	34,842	-	365,179
Client Activities	901	-	7,414	-	8,315
Third Party Reimbursements	1,240,819	380,587	276,464	-	1,897,870
Managed Care & EAP's	-	1,214,574	-	-	1,214,574
Consultations & Other	88,803	26,484	57,398	-	172,685
Total Revenues	\$ 4,265,556	4,476,844	3,708,771	8,940,721	21,391,892
<u>Expenses</u>					
Personnel	6,604,742	3,009,074	3,330,343	-	12,944,159
Operating	3,815,091	1,428,988	1,570,553	-	6,814,632
Purchased Equipment	399,211	99,495	280,385	-	779,091
Total Expenses	\$ 10,819,044	4,537,557	5,181,281	0	20,537,882
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer-Title XIX Medicaid	7,047,147	400,945	1,492,629	(8,940,721)	
Excess (Deficiency) of Revenues Over Expenses	\$ 493,659	340,232	20,119	0	854,010

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 1998

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 825,043	290,845	-	-	1,115,888
Homeless	240,000	-	-	-	240,000
Other State & Federal	1,398,056	246,791	3,927,838	-	5,572,685
Title XIX Medicaid	-	-	-	7,971,534	7,971,534
Municipalities	-	138,500	1,152,000	-	1,290,500
Fundraising & Contributions	100	-	16,443	-	16,543
Client Fees & Rentals	141,514	58,952	156,201	-	356,667
Client Activities	11,271	-	9,367	-	20,638
Third Party Reimbursements	1,210,342	315,322	393,032	-	1,918,696
Managed Care	-	842,407	-	-	842,407
ProMail Sales	516,954	-	-	-	516,954
Consultations & Other Income	101,072	10,959	55,970	-	168,001
Total Revenues	\$ 4,444,352	1,903,776	5,710,851	7,971,534	20,030,513
<u>Expenses</u>					
Personnel	6,907,404	1,312,787	4,644,545	-	12,864,736
Operating	4,143,482	526,506	2,337,941	-	7,007,929
Purchased Equipment	71,300	36,408	96,888	-	204,596
Total Expenses	\$ 11,122,186	1,875,701	7,079,374	0	20,077,261
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer-Title XIX-Medical	6,483,131	157,523	1,330,880	(7,971,534)	
Transfer from Riverwood	215,500	-	-	-	
Total Other Financing Sources	\$ 6,698,631	157,523	1,330,880	(7,971,534)	215,500
Excess (Deficiency) of Revenues Over Expenses	\$ 20,797	185,598	(37,643)	0	168,752

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
 FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	1999	1998
<u>Beginning Balance</u>	\$ 0	0
Revenues Received Designated for Programs	<u>8,940,721</u>	<u>7,971,534</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	7,047,147	6,483,131
Adult General Outpatient Services	400,945	157,523
Other Programs	<u>1,492,629</u>	<u>1,330,880</u>
Total Applied	<u>8,940,721</u>	<u>7,971,534</u>
	<u>\$ 0</u>	<u>0</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDTION AND HOSPITALS
 THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	<u>Fiscal Year Ended June 30</u>			
	<u>1999</u>		<u>1998</u>	
<u>State Funds Allocated:</u>				
Adult General Outpatient Services	\$	327,181		266,472
Community Support, Residential and Acute Alternatives Contract		<u>327,181</u>	<u>266,472</u>	<u>532,944</u>
		<u>654,362</u>		
Matchable Revenues-Fiscal Years Ended June 30, 1997 and 1996		<u>999,318</u>		<u>291,460</u>
<u>Determination of Over (Under) Payment of State Funds:</u>				
State Funds Allocated (Note 2)		654,362		532,944
Deduct lesser of:				
(a) Applicable Percentage of Matchable Revenues		654,362		532,944
(b) State Funds Allocated		654,362		532,944
Maximum Support - Lesser of A or B (Note 3)		<u>654,362</u>		<u>532,944</u>
Over (Under) Payment of State Matching Funds	\$	<u>0</u>		<u>0</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEAR ENDED JUNE 30, 1999 AND 1998

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of the Providence Center for Counseling and Psychiatric Services.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lessor of the following:

- A. 65.481% of the matchable revenue for the fiscal year ended June 30, 1997 and 182.853% of the matchable revenue for the fiscal year ended June 30, 1996.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other Programs – Exhibits A and B

These amounts represent funding from sources other than MHRH-Division of Behavioral Health Care Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	1999	1998
<u>State of Rhode Island</u>		
Adult General Outpatient Services	\$ 291,581	290,845
Community Support, Residential & Acute Alternatives	<u>892,172</u>	<u>1,065,043</u>
Total State Funds Allocated	1,183,753	1,355,888
 <u>Matchable Revenues</u>		
Municipalities	1,398,655	1,251,456
Fund Raising & Contributions	<u>61,080</u>	<u>54,638</u>
Total Matchable Revenues (For Fiscal Year Ended June 30, 2001 and 2000)	1,459,735	1,306,094
 <u>Nonmatchable Revenues</u>		
Title XIX Program	8,940,721	7,971,534
Other Programs	2,394,708	4,542,408
Other State & Federal	4,130,627	1,644,847
Client Fees, Activities & Rental Income	331,238	211,737
Third Party Reimbursements	1,621,406	1,525,664
ProMail Sales	-	516,954
Consultations, Managed Care & Other	<u>1,329,704</u>	<u>955,387</u>
Total Nonmatchable Revenues	18,748,404	17,368,531
Total Revenues (Exhibit A & B, Respectively)	\$ <u>21,391,892</u>	<u>20,030,513</u>

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEAR ENDED JUNE 30, 1999 AND 1998

STATUS OF PRIOR AUDIT RECOMMENDATIONS - JUNE 30, 1997

Community Support, Residential, and Acute Alternatives

1. If performance standards have, in fact, been deemed satisfactory by the Department for the period under review, officials of MHRH should take into account the excess revenue of \$238,104 as available income for community support services when determining subsequent funding to The Providence Center for Counseling and Psychiatric Services.

Complied.

2. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions.

Did not comply. (See recommendation 1)

Representative Payee Program

2. That MHRH officials monitor this program to ensure proper management of Representative Payee Funds.

Did not comply. (See recommendations 2)

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
THE PROVIDENCE CENTER FOR COUNSELING AND PSYCHIATRIC SERVICES
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 1999 and 1998 are summarized below:

Revenues Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>1999</u>	<u>1998</u>
Community Support, Residential, and Acute Alternatives	\$ 493,659	\$ 20,797
Adult General Outpatient	340,232	185,598
Other Programs	<u>20,119</u>	<u>(37,643)</u>
Total Revenue (Deficiency)	\$ <u>854,010</u>	\$ <u>168,752</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has total excess revenues in the amount of \$514,456 for the fiscal years ended June 30, 1999 and 1998 (See Exhibits A and B).

The Department of MHRH determines the use and disposition of excess revenues.

Excessive budget line item variances occurred in the Community Support, Residential, and Acute Alternatives contracts for the fiscal years ended June 30, 1999 and 1998. Addendum II, Section II-4 of the financial terms and conditions states in part:

"An amendment to the approved budget on file with the Department and included in summary fashion as part of this contract, is required when:

a.) There is a line item deviation of 10% or \$5,000, whichever is greater;...

Spending beyond the budget without amendment will result in the disallowance of the added expenditure."

Line items in excess of 10% or \$5,000, whichever is greater is as follows:

<u>Line Item</u>	<u>6/30/99</u>	<u>6/30/98</u>
Tel./Communications	\$ 11,098	-0-
Travel	-0-	10,015
Contractual	161,088	-0-
Insurance	5,077	-0-

The Center did not submit line item budget amendment requests relating to the above line items to MHRH as required by the above State contract provisions.

Recommendation

1. MHRH should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions as stated above.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period audited. (See Exhibit D)

Matchable Revenues were examined for fiscal years ended June 30, 1999 and 1998 and are summarized as follows:

	<u>1999</u>	<u>1998</u>
Municipal Revenues	\$ 1,398,655	\$ 1,251,456
Fund-Raising & Contributions	<u>61,080</u>	<u>54,638</u>
Total Matchable Revenues	\$ <u>1,459,735</u>	\$ <u>1,306,094</u>

Funds received in the fiscal years ended June 30, 1999 and 1998 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 20, 2001 and 2000, respectively.

Representative Payee Program

The Center manages, under the policies of the Social Security Administration's Representative Payee Program, Social Security and SSI payments made to more than 185 active clients. Some significant payments made on the behalf of these clients lacked proper documentation which indicates a lack of accountability for client funds and a weakness with internal controls. According to the Finance Director, effective March 1, 2001, documentation will be provided for all disbursement requests.

Recommendation

2. That MHRH officials monitor this program to ensure proper management of Representative Payee Funds.

Affiliated Corporations

The Center formed several nonprofit corporations which provide services adjunctive to the Center's programs. For the most part, the same Trustees serve both the affiliates and the Center. A listing of the affiliates follows:

Grandview Realty, Inc.

This non-profit corporation was formed in 1983 to own an apartment building which is used as a residence for chronically mentally ill clients served by the Center, and to administer the HUD Section 8 mortgage.

Standard Realty, Inc.

This non-profit corporation was formed in 1982 to own and operate rental apartments for chronically mentally ill clients served by the Center.

Grandview Second Corporation

This nonprofit corporation was formed in 1989 to own and operate rental apartments for chronically mentally ill adult clients served by the Center.

ProMail, Etc.

This nonprofit corporation was formed in 1998 to sell services and products of workers in need of mental health care who are employed by the corporation.